

Control Jurisdiction Frequently Asked Questions



Montgomery County, Maryland

Alcohol is a very special and sometimes controversial commercial product that deserves particular care. Montgomery County is proud to be one (1) of the seventeen (17) control jurisdictions in the United States. Control Jurisdictions work to achieve the delicate balance of providing high-quality products and services to customers, improving the overall safety of communities through education, regulation and enforcement and generate revenue to transfer to the General Fund to pay for important resident services.

What are the benefits of control systems?

First and foremost, alcohol regulatory systems and its individual regulations protect public health and safety. Excessive drinking usually causes harm to the user and innocent bystanders. For this reason, alcohol, being a unique product, should be controlled. Control systems keep prices balanced, prohibits or inhibits aggressive sales practices, and allows small and large business operators to be profitable. The system also uses checks and balances as neither the supplier, wholesaler nor, retailer fully dominates the alcohol distribution chain. Further, these systems enforce many provisions that create a significant amount of revenue for their governments, provides ample funding for programs (alcohol abuse treatment and seller/server training) that other systems cannot match. Control States produce \$155.5% more revenue per capita on the products controlled than do license states. This revenue goes back to the communities the control systems serve. Communities apply the revenue where it's needed. In summary, control systems encourage drinking alcohol moderately by restricting access and hindering excessive use. They also generate needed revenue for the respective state and its citizens.

What is the role of on-premise establishments in a control system? Is it different than from a license state?

The procedures of obtaining a license to serve alcohol on-premises vary state by state, and are not unique to control systems. There are, however, distinct differences in the distribution process. Products for on-premise establishments in control systems must come from a state-owned warehouse or, in some cases, state-operated retail stores.

What has happened to control jurisdictions when alcohol sales have been privatized?

Privatization is a subset of the greater epidemic of deregulation. States that have privatized distribution and/or sales of alcohol have proven to create an unregulated environment which has created public health and economic concerns for their communities. On June 1, 2012 the state of Washington became the first control jurisdiction in the US to become fully privatized. Costco Corporation sponsored and almost entirely financed a ballot initiative on the premise that privatizing the distilled spirits business would raise additional revenue for law enforcement. This measure changed the overall goals of the regulatory system and dramatically altered how alcohol is sold at the wholesale and retail level. While time will demonstrate the ultimate outcome of this change, media coverage of the initial result of dismantling the control system included substantially higher alcohol prices, teens congregating in alcohol product aisles, teens shoplifting alcohol and the product being readily available in grocery, drug and hardware stores. Additionally, in September 1993, when Alberta, Canada privatized alcohol sales, according to a study from the Canadian Center for Policy Alternatives, the amount of revenue lost nearly reached \$500 million over the next 10 years. Many of the social problems relating to alcohol also increased in Alberta, including lost work, crime, and impaired driving.

REVENUE GENERATED

The Control Systems generate **102% MORE** per gallon revenue than license states

In Montgomery County, Department of Liquor Control transferred **28.5 million dollars** to the General Fund to pay for important services

SOCIAL COSTS REDUCED

The Control Systems consume **15.8% LESS** distilled spirits than license states

LIVES SAVED

The Control Systems experience **9.3% LESS** under 21 impaired driving deaths than license states

Do control states make it less convenient to purchase alcohol?

If you define 'convenience' by the number of liquor stores on each block, then yes. However, it is important to remember that control systems encourage moderate alcohol consumption. They also promote an orderly market where local and national companies, large and small, can operate profitably. Control state stores are convenient to shoppers looking for a variety of brands because the profit motive is not prevalent in the overall strategy of the stores. Additionally, control state stores are usually accessible in rural areas, with an attention to access for all residents, regardless of profitability.

License states tend to concentrate stores in more densely populated areas. Also, according to a study in the public health journal *Addiction*, increased access to alcohol in British Columbia, Canada has proven to result in increased consumption. The control systems' model of regulating outlet density is valuable in that it curbs consumption and lowers the risk for alcohol-related public health problems.

Why can't I buy beer and wine at a grocery store in Montgomery County, MD?

This is a state-wide law and is unrelated to Montgomery County being a control jurisdiction. If the Maryland law were to change, consumers would be able to buy beer and wine in local grocery stores (if and when they would be permitted to do so elsewhere in Maryland), and Montgomery County would still continue to operate as a control jurisdiction.

What are control systems' impacts on public safety?

Citizens usually want alcohol laws to protect them first, and the primary purpose of control systems and its individual regulations is to protect public health and safety. This system also ensures that no one will have a profit incentive to sell alcohol to people who shouldn't drink, such as youth and intoxicated persons.

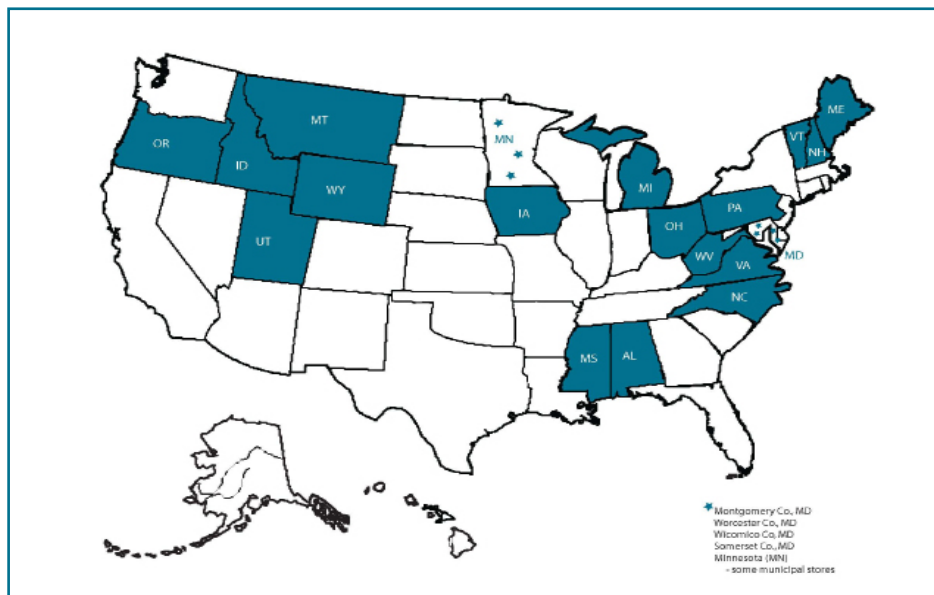
An example is the United Kingdom. In the 1960s the U.K. began deregulating alcohol, allowing all forms to be sold in grocery stores. Competition heated up causing prices to drop and creating more availability. Closing hours and other controls were abandoned. Today, in the UK, you can buy all forms of alcohol everywhere with few restrictions. This "convenience" has caused a serious alcohol epidemic to where hospital admissions for liver disease and acute intoxication have more than doubled over 10 years. According to national statistics from the UK, underage drinking is almost twice the US rate.

In control systems, more resources are invested toward compliance checks, ensuring that retail establishments are properly carding customers and lowering the likelihood of an underage purchase. According to the Community Preventative Service Task Force, outlet density regulations in control systems also decrease the risk of public safety issues, or the likelihood of a high level of alcohol related incidents.

How do control systems influence alcohol education in their jurisdiction?

A portion of revenue generated by sales of alcohol in control systems go to agency education initiatives, where they develop public awareness campaigns and programs for youth on the effects of alcohol. Examples include server/seller training; establishing toll-free lines for citizens to report instances of underage drinking, adult providers, public intoxication, underage drinking parties and other alcohol related social issues; and promotional items for public awareness messages. NABCA also helps the agencies with annual grants that go toward these initiatives. Some of the programs developed have won accolades from the industry and the general public. These programs can be found in NABCA's Educational Report.

Members of the National
Alcoholic Beverage Control
Association (NABCA)



What is the impact of control systems on the cost and safety of the product?

For most businesses alcohol regulation offers some real benefits. Most free markets end up benefiting only a few large companies while the states' alcohol regulatory systems allow owners of all sizes and types of businesses to make a reasonable profit. Except for alcohol, most commodities in large grocery stores require payments to the grocer to assure products a place on their shelves. Manufacturers and wholesalers may also have to stock shelves, pay for advertising, provide promotional point-of-sale items and buy refrigerated units. Paying for these "extras" increase the costs of doing business. Additionally bans on volume discounts and selling below cost keeps prices reasonably stable. Plus control systems are required to track every bottle and can that comes into its doors. This is helpful should a tainted product be on a shelf. Keeping track of every bottle and can makes it easy to identify and remove these products from retail shelves, minimizing harm and possibly saving a business' reputation.

What influence do control systems have over new or craft products looking to reach market?

Control systems offer craft products great opportunities to be listed and sold. In license states, craft wine and spirit products can struggle to reach market while competing against the bigger brands. In control systems, every product must be presented to the agency for approval. Once approved, some states specifically accommodate these niche products by placing them in their stores, which is not likely to happen in a license state, whose focus is selling a large quantity of the most popular brands. For example, Craft distilleries in Oregon are able to be listed in state stores based on the planning model, and they generated \$53.3 million in annual liquor sales for 2011.

There are numerous studies that show the difference between a control system and a license system is not significant, and question the legitimacy of the entire concept of alcohol control. What distinguishes the research supporting control systems from opposition studies?

Studies in support of control systems have been published and reviewed by the highest level professionals in the public health and economic fields. What's more, they have been validated by a meta-analysis conducted by the Center for Disease Control (CDC). The CDC took into consideration a collection of scholarly, scientific research and recommended against the further deregulation and privatization of alcohol sales in settings with current government control of retail sales. It based this recommendation on "strong evidence that privatization results in increased per capita alcohol consumption, a well-established proxy for excessive consumption."

There are many studies that argue in favor of deregulation. Many of them come from ideologically or politically motivated organizations, and thus often give a biased foundation for their conclusions.

Why should alcohol be treated differently?

The book 'Alcohol, No Ordinary Commodity' essentially sums up the reason in its title. Alcohol is no ordinary commodity. It is not water, juice, or toothpaste, and it shouldn't be sold as such. When used responsibly, it can enliven social and cultural experiences. But alcohol alters an individual's state of mind, and when used irresponsibly it affects judgment, reaction time, sense of reason, mood, motor skills, and vital organs. Research documents that alcohol is attributable to problems such as assault, motor vehicle accidents and deaths (suicide and homicide).

Additionally, depending on the type beverage consumed (wine, beer or liquor), alcohol by volume is different. For example, 5 ounces of wine contains 12 percent alcohol by volume, whereas 24 ounces of beer contains the same 12 percent of alcohol by volume.

Alcohol is also an important factor in economic development. Downtown neighborhoods often thrive with the additions of numerous restaurants and clubs that serve alcohol on-premise, and this contributes revenues to the jurisdictions where they are located. Control jurisdictions help embed policies that lead to well-run and safe hospitality zones.

Control systems create the environment for the distribution and sale of alcohol that reflects its unique profile. For close to 75 years, the National Alcohol Beverage Control Association has supported the goals of control state systems and commends the agencies that serve their community in a responsible way.